

LUNDAY-THAGARD COMPANY

P.O. Box 1519 • South Gate, CA 90280-1519
(562) 928-7000 • Fax (562) 806-4032

Grant T. Aguinaldo
Environmental Manager
(562) 928-7000, ext. 2259
GAguinaldo@WorldOil.net

August 26, 2013

VIA ELECTRONIC SUBMITTAL

Elizabeth Scheehle
Manager
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

Subject: LTR Comments on CARB's Public Hearing Regarding Potential Changes to California's Cap-and-Trade Compliance Mechanisms - August 19, 2013

Dear Ms. Scheehle:

Lunday-Thagard Co. (LTR) appreciates the opportunity to comment on California Air Resources Board's (CARB) Staff's refinery benchmarking proposal. LTR has concerns regarding how the rules governing refinery benchmarking are being implemented with respect to smaller refiners and those engaged in producing asphalt. CARB's proposed changes to the regulation ignore the specific issues associated with this sector of the refining industry.

LTR is a small privately-owned petroleum refinery whose principal products include a variety of paving and roofing asphalts. LTR's priority issues related to the August 19, 2013 public hearing includes:

- The uniqueness of asphalt refineries; and
- CARB consideration of the "atypical" refineries under the cap-and-trade program.

The Uniqueness of Asphalt Refineries

Asphalt refiners are unique. At the August 13, 2013 workshop, we specifically asked about how the asphalt refiners would be treated under the proposed regulatory amendments, and were told that they would be treated the same as any other refinery. This answer is problematic on both a technical and policy level because of the unique nature of an asphalt refinery.

The production of asphalt has unique characteristics associated with operations that are not typical in large refiners. For example, one option that was proposed at the workshop

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would have eliminated the Offsite Energy and Non-Crude Sensible Heat components of Solomon and Associates' (Solomon) refinery complexity weighted barrel (CWB) calculation.

This proposal shows a lack of understanding of our unique processes. Since our primary product must be delivered to trucks at high temperatures in order to flow through pipes, we have additional heating requirements not directly associated with product production. As a result, we urge the CARB recognize the fact that asphalt refiners are unique and amend the Cap-and-Trade regulation accordingly.

CARB Consideration of "Atypical" Refineries.

Since last August, the CARB has known that smaller refiners are disadvantaged in the CWT (or CWB) methodology. Ecofys' August 2012 report to CARB clearly states that "since it is known that the CWT approach is not suitable for smaller refineries, it may be speculated that the CWT approach is not suited for some of the smaller, "atypical" refineries in California." This view was confirmed by Solomon at the recent workshop.

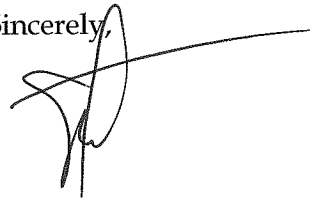
Since it is known that the CWT or CWB benchmarks are not suitable toward atypical refineries, the CARB needs to amend the allocation methodology to distinguish between the typical and "atypical" refineries.

Support of the Change for Assistance Factors

We would like to take this opportunity to express support for CARB's proposed amendment to the Industrial Assistance Factor. This is especially important for asphalt refiners, and until the CARB can complete the leakage assessment of this sector, granting an assistance factor of 100% is prudent policy decision.

We look forward to working with you on improving this critical program and moving forward together. If you have any questions about our comments, or more importantly our operations, please give me a call at 562-928-7000 extension 2259.

Sincerely,

A handwritten signature in black ink, appearing to read 'Grant Aguinaldo', with a long horizontal line extending from the end of the signature.

Grant Aguinaldo